

Windemere Township

Treasurer's Report

UNAUDITED MONTHLY RESULTS

AS OF MAY 31, 2019

May Highlights

- Zoning Fees started coming in
- Engineering fees for Balsam culvert, Harmony Ln
- \$27k for Township's share of paving Sand Lake Road

Revenue & Expenses for May, 2019

Total Revenue	\$4,821.69
Expenses	
41100 · Supervisory	1,326.69
41400 · Clerk and Operations	4,374.10
41500 · Treasurer and Financial Management	591.42
41600 · Legal Services	396.00
41900 · Planning & Zoning / Other	1,883.96
42000 · Public Safety and Fire	95.48
43000 · Highways, Streets, Roadways, Sanitation	<u>50,044.42</u>
Total Expenses	\$58,712.07
Difference	-\$53,890.38

Account Balance Totals as of May 31, 2019

Checking/Savings	Balance
First National Bank Checking	442,826.94
First National Bank EFT	50.00
U.S. Bank Commercial	189.46
U.S. Bank Money Center	<u>1,567,516.70</u>
Total Checking/Savings	2,010,583.10

Account Balances by Fund as of May 31, 2019

	Revenue	Roads & Bridges	Capital Improvement	TOTAL
Checking/Savings				
1 st Natl Bank Checking	312,296.03	125,444.58	5,086.33	442,826.94
1 st Natl Bank EFT	50.00			50.00
US Bank Commercial	51.93	59.04	78.49	189.46
US Bank Money Center	1,256,006.30	210,996.03	100,514.37	1,567,516.70
Totals	1,568,404.26	336,499.65	105,679.19	2,010,583.10

Investment Portfolio as of May 31, 2019

Windemere Township Investment Portfolio

Last Updated: Tuesday, May 14, 2019

Custodian	Description	Identifier	Yield	Value Date	Maturity Date	Investment Amount	Estimated Interest	Estimated Maturity Value	Fund
USBank	Banker's Acceptance	9033A1TE8	2.48%	5/9/2019	6/14/2019	210,996.03	513.97	211,510.00	Roads & Bridges
USBank	Banker's Acceptance	9033A1TH1	2.55%	3/25/2019	6/17/2019	435,942.08	2,557.92	438,500.00	Revenue
USBank	Banker's Acceptance	9033A1U22	2.63%	2/22/2019	7/2/2019	100,498.58	941.42	101,440.00	Capital Improvement
USBank	Banker's Acceptance	9033A1U89	2.55%	4/17/2019	7/8/2019	153,749.47	880.53	154,630.00	Revenue
USBank	Banker's Acceptance	9033A1VW5	2.58%	3/27/2019	8/30/2019	204,095.71	2,244.29	206,340.00	Revenue
USBank	Banker's Acceptance	9033A1WC8	2.55%	4/23/2019	9/12/2019	204,945.37	2,024.63	206,970.00	Revenue
USBank	Banker's Acceptance	9033A1X78	2.47%	5/14/2019	10/7/2019	257,289.46	2,539.54	259,829.00	Revenue
Average Yield			2.54%	Totals:		1,567,516.70	11,702.30	1,579,219.00	

Monthly Financial Report Questions?

Questions on May financials?



Township Civics Primer

Elected Officials have one primary duty – seek the benefit and welfare of the Taxpayer

The Treasurer is a “bean counter” elected by and reporting to the Taxpayer

The Treasurer and Clerk work with the Board but are independent of the Board (like an elected County Attorney, State Auditor)

The Treasurer is a messenger of facts. The position has no decision making power.

The Board is granted power by state statute to make all decisions, guided by the principle of a fiduciary duty to always act in the public’s best interest.

Virtually all data is Public data.

Trust is built when transparency is prioritized and performed.

Historical Recommendations (beyond counting beans)

Move to an electronic accounting system

Add screens and projectors to increase clarity of presentations

Create an investment program for excess funds to earn a higher rate of return

Review the Township's banking relationship to ensure we are receiving the best services

Engage in an external audit

Create a five-year cash flow forecast to guide levy setting

Stop excessive taxation and reduce the levy dramatically

Create a line-item budget

Request review of our road operations model

How did we get to this moment?

Treasurer contacted Board in June of 2018 recommending a CBA on our most expensive line item – no response

Treasurer contacted Chairman in April requesting time – denied time (deemed a “Union” issue)

Treasurer included findings in Monthly report – denied time, but Board accepted the report

Invited to attend closed Union strategizing meeting so the Board could hear this privately

Attended a closed meeting to present report – dismissed before strategizing meeting

Allowed to present today – thank you, John, for honoring your word

Moving forward:

- The Board has the power to deem an item out of order and the meeting as they please
- Please prioritize transparency and state clearly why an item is not deemed worthy of public debate.

Road Maintenance In-House Operations vs Contractor Operations

Cost Analysis and Comparison

WINDEMERE TOWNSHIP

Goal of this Analysis

Provide helpful and timely analysis to the Board to make an educated decision

Bring clarity and transparency to the actual cost of the current operating model

Step back and focus on the numbers and minimize the “noise”

Compare our “In-house” operating model to a common rural Township “Contractor” model

Recommend the Board choose the best operating model (operational efficiency)

Executive Summary: The Township has potential to save over \$1 million over the next 10 years by switching to a Contractor model of operations.

Current In-House Operations Model

Windemere Township utilizes one of the most expensive operating models

- Multiple part-time employees
 - Based on a 40-hour week, our employees are .45, .30, .25 of full-time status
- Paid benefits (fixed-cost health insurance, PERA, IUOE Retirement)
- One-size-fits-all health benefits are family-based with no “single” option or part-time option
- Much time is spent not operating equipment (~50%)
- Expensive capital items sit idle a majority of the time (~\$300,000 current value in equipment)
- Additional capital items already budgeted (new \$250k storage building at the Gravel Pit)
- Note: Current budget has no provision for replacing high-value capital items

- Summary: It's expensive to own and operate equipment

How does our Operations compare?

Many rural Townships contract out for road maintenance services (many organizations of all types contract out work)

Often the remaining non-operating work is done by Supervisors or part-time employees at a much reduced cost

Key question to answer: What is the real cost for our current operating model?

Current Model Analysis - Process

Counted 2018 road employee hours

Added up all 2018 road **Operating** expenses

- Salaries of permanent employees
- Mandatory benefits
- Operational expenses (temporary labor, fuel, propane, repairs, rental, mileage, etc.)
- Factored in current (equipment) and future (gravel pit building) operating capital items

Extrapolated yearly cost based on current pay and benefits

Analyzed last 6 months of time spent on “road work” versus all other work (washing equipment, driving to Duluth for parts, making phone calls, steaming culverts, repairing equipment, filling out paperwork, making a voting sign, etc.)

Queried nearby Townships about their operating model

Current Model Analysis - Calculations

Hours worked by permanent part-time employees in 2018: 2,078

Projected annual salaries at current rate: \$61,750

Projected annual Township paid benefits: \$42,800

Projected operational expenses: \$109,000

Projected Annual Expense of Current Model: **\$213,550.00**

Equivalent cost per man hour spent on road operations:

- > \$200 / hour (based on hours actually doing road work)

Key question to answer: How do our operating costs compare to a contractor model?

Comparison of Current In-House Model to Industry Standard Contractor Model

Projected Annual Expense of Current Model: **\$213,550.00**

Projected Annual Expense of Contractor Model: **\$105,000.00**

- Assumes 85% of current operating hours contracted out at \$100 / hour
- Majority of remaining time is “office work” or “manual labor” to be completed internally at \$15-21 / hour

Potential Annual Operating Savings: **>\$100,000 year**

Additional Capital Savings (over 10 years):

- Eliminate existing budgeted expense for new Building: \$250,000
- Eliminate needed budgeted expense for capital replacement: \$250,000
- This alone is a **\$500,000** decision (don't build building plus don't replace equipment)

Rationale for Change

Align job duties with job classification

Save up to \$150,000 / year over the next 10 years

Receive the same services.

Consistent operations as many rural Townships.

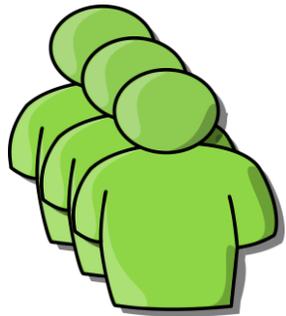
Windemere has a recent history of hiring contractors:

- Behrman Farms, Buetow Trucking, Casper, Precision Grade, R&G Waldhalm, TLC'NC, Valhalla, etc.

Windemere already hires part-time employees for specific duties at \$15-21 / hour

Tacit approval by Mike Buetow for the model who through the recent bidding process wants to be an Independent Contractor for the Township (see April bids)

Align Job Duty to Job Classification



Operating equipment

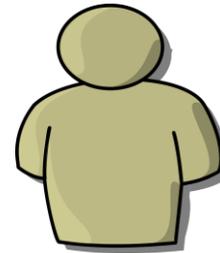
Wash backhoe

Steam culverts

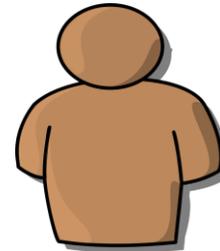
Repair equipment

Calling/driving for parts

Administration



Operating equipment
(contractor)



Steam culverts
(\$15 / hr)



Administration
(\$15-21)

Repair equipment/driving for parts
Calling for parts
Administration

\$1,500,000 Decision

Recent open bidding in April revealed that a number of contractors are ready/willing/able to provide trucking and grader work around \$100/hour

The Board has a required duty to care for the Town and seek the best value of the Taxpayers' dollars and find the best model that gets the job done. The Board's primary goal is to steward the taxpayer's money and seek their welfare.

Recommendation: **Take time to seriously consider the merits of a different operations model**

Result:

- Same services
- Reduce taxes
- **Possibly save up to \$1,500,000 over the course of the next 10 years alone if managed well**

Questions / Comments
